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United Nations pension system

Report of the Fifth Committee

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I. Introduction

1. At its 19th plenary meeting, on 20 September 2002, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-seventh session the item entitled "United Nations pension system" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 22nd to 24th and 37th meetings, on 6, 8 and 11 November and 13 December 2002. Comments and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records (A/C.5/57/SR.22-24 and 37).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the United Nations Joint Staff Pension Board;[1]

(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/57/490);

(c) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/57/11).

4. At the 22nd meeting, on 6 November, the Chairman of the United Nations Joint Staff Pension Board introduced the report of the Board and the Director of Investment Management Service introduced the report of the Secretary-General on the investments of the Fund (see A/C.5/57/SR.22).

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 9* (A/57/9).

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II. Consideration of draft resolution A/C.5/57/L.34

5. At the 37th meeting, on 13 December, the Committee had before it a draft resolution entitled "United Nations pension system" (A/C.5/57/L.34), which was submitted by the Chairman on the basis of informal consultations coordinated by the representative of Romania, Vice-Chairman of the Committee.

6. At the same meeting, the Committee adopted draft resolution A/C.5/57/L.34 without a vote (see para. 7).

III. Recommendation of the Fifth Committee

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolutions 51/217 of 18 December 1996, 53/210 of 18 December 1998 and 55/224 of 23 December 2000 and section V of its resolutions 54/251 of 23 December 1999 and 56/255 of 24 December 2001,

Having considered the report of the United Nations Joint Staff Pension Board,[2] the report of the Secretary-General on the investments of the Fund [3] and the related report of the Advisory Committee on Administrative and Budgetary Questions, [4]

1. *Endorses* the observations and recommendations contained in its report of the Advisory Committee on Administrative and Budgetary Questions;[4]

I

Actuarial matters

Recalling section I of its resolution 55/224,

Having considered the results of the valuation of the United Nations Joint Staff Pension Fund as at 31 December 2001 and the observations thereon by the Consulting Actuary of the Fund, the Committee of Actuaries and the United Nations Joint Staff Pension Board,

1. *Takes note* of the actuarial situation of the United Nations Joint Staff Pension Fund, which went from an actuarial surplus of 0.36 per cent of pensionable remuneration as at 31 December 1997 to an actuarial surplus of 4.25 per cent of pensionable remuneration as at 31 December 1999, and to an actuarial surplus of 2.92 per cent of pensionable remuneration as at 31 December 2001, and, in particular, of the opinions provided by the Consulting Actuary and the Committee of Actuaries, as reproduced in annexes VII and VIII, respectively, to the report of the United Nations Joint Staff Pension Board;[2]

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[2] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 9* (A/57/9).

[3] A/C.5/57/11.

[4] A/57/490.

2. *Also takes note* of the general support of the Board for the report of the Working Group established by the Board to undertake a fundamental review of the benefit provisions of the Fund, taking into account developments in staffing and remuneration policies in the member organizations and in pension arrangements at the national and international levels, and notes in particular that the Board approved the recommendations of the Working Group, set out in paragraphs 157 and 158 of the report of the Board,[2] as further promoting the human resources framework adopted by the International Civil Service Commission and the General Assembly and serving to enhance the mobility of staff and the portability of pensions;

3. *Further takes note* of the recommendation of the Board that the current contribution rate be maintained but kept under review;

4. *Approves*, in principle, the changes in the benefit provisions of the Regulations of the Fund, as set out in annex XIV of the report of the Board,[2] to eliminate the limitation on the right to restoration for existing and future participants, with implementation to begin at such time as the actuarial valuation of the Fund shows a clear upward pattern of surpluses;

5. *Notes* that the Board agreed to make no changes in the methodology currently used in the determination of final average remuneration, but agreed to study all possible means of redressing the existing aberrations in the levels of initial pensions and in income replacement ratios over time;

6. *Concurs* with the transfer agreements with the European Organization for the Safety of Air Navigation and the Organization for Security and Cooperation in Europe, as approved by the Board under article 13 of the Regulations of the Fund, with a view to securing continuity of pension rights between the Fund and the two organizations, as set out in annex X to the report of the Board;[2]

II
Pension adjustment system

Recalling section II of its resolution 55/224,

Having considered the reviews carried out by the Working Group of the United Nations Joint Staff Pension Board and subsequently by the Board, as set out in its report,[2] of various aspects of the pension adjustment system,

1. *Recalls* the aim of enhancing the mobility of staff and the portability of pensions;

2. *Approves*, in principle, the changes in the pension adjustment system, as set out in annex XIII to the report of the Board,[2] with implementation to begin when the actuarial valuation of the Fund shows a clear upward pattern of surpluses:

(a) To apply cost-of-living adjustments to deferred retirement benefits as from age 50;

(b) To apply cost-of-living differential factors to deferred retirement benefits as from the date of separation;

3. *Notes* that the Board approved of the Working Group's recommendation to eliminate the 1.5 percentage point reduction in the first consumer price index adjustment due to existing and future beneficiaries, subject to an actuarial surplus being revealed in the actuarial valuation to be performed as at 31 December 2003;

4. *Takes note* of the decision of the Board to continue to study the problems associated with the adjustment of pensions after award;

5. *Also takes note* of the results of the monitoring of the costs/savings of recent modifications of the two-track feature of the pension adjustment system and of the intention of the Board to continue to monitor those costs/savings every two years, on the occasion of the actuarial valuations of the United Nations Joint Staff Pension Fund;

III
Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

Having considered the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2001, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board,[2]

1. *Notes* that the report of the Board of Auditors on the accounts of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2001[5] indicated that the financial statements were in compliance with accepted standard accounting principles and that there were no major findings of problems concerning procedures and controls;

IV
Administrative arrangements and longer-term objectives of the United Nations Joint Staff Pension Fund

Recalling section VII of its resolution 51/217, section V of its resolutions 52/222, 53/210 and 54/251, section IV of its resolution 55/224 and section V of its resolution 56/255 concerning the administrative arrangements and expenses of the United Nations Joint Staff Pension Fund,

Having considered chapter VII of the report of the United Nations Joint Staff Pension Board[2] concerning the administrative arrangements of the Fund,

1. *Takes note* of the information set out in paragraphs 96 and 97 of the report of the United Nations Joint Staff Pension Board[2] on the revised budget estimates for the biennium 2002-2003;

2. *Approves* the increase in resources under administrative costs for the biennium 2002-2003, from 29,943,800 to 30,006,300 United States dollars, for the recalculation of benefits due to a judgement of the International Labour Organization Tribunal and a retroactive change in local salary scales;

3. *Takes note* of the information set out in paragraphs 100 to 104 of the report of the Board[2] on the whole-office review of the staffing structure and levels of both the United Nations Joint Staff Pension Fund secretariat and the Investment Management Service, and also takes note of the support and endorsement in principle of the Board for the Secretary/Chief Executive Officer's efforts and plans for modernization in order to deal with the fast-growing activities of the Fund;

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[5] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 9* (A/57/9).

4. *Also takes note* of the support of the Board for the efforts of the Secretary/Chief Executive Officer to continue to search for permanent premises for the Fund in New York;

V
Survivors' benefits

Recalling section V of its resolution 55/224,

Takes note of the further review undertaken by the United Nations Joint Staff Pension Board of issues related to the pension entitlements of survivors, and requests the Board to examine the administrative and financial aspects of this matter, as a whole, and report to the General Assembly thereon at its fifty-ninth session;

VI
Activities relating to former participants from the former Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic

Recalling section VI of its resolution 55/224,

1. *Notes* the information provided by the United Nations Joint Staff Pension Board in paragraphs 125 to 140 of its report;[2]

2. *Decides* that this issue does not require further consideration by the General Assembly;

VII
Size and composition of the United Nations Joint Staff Pension Board and the Standing Committee

1. *Takes note* of the information set out in paragraphs 205 to 220 of the report of the United Nations Joint Staff Pension Board[2] on the review of the size and composition of the Board and its Standing Committee;

2. *Requests* the Board to study the representation of the Fund's member organizations on the Board, so as to clarify the criteria adopted for that purpose, and to submit further proposals to the General Assembly at its fifty-ninth session, with a view to making such representation more equitable in order to reflect the actual distribution of active participants in the Fund, present and future trends in Fund participation, the changing nature of the Fund's member organizations and improved participation by members and alternate members in the Committee and Board meetings;

VIII
Other matters

1. *Takes note* of the observations of the United Nations Joint Staff Pension Board, as set out in paragraphs 194 and 195 of its report,[2] on the review and conclusions reached by the International Civil Service Commission on the changes in average tax rates at the seven headquarters duty stations, which formed the basis

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[2] annex XII.

for the development of the current common scale of staff assessment for pensionable remuneration;

2. *Approves*, with effect from 1 April 2003, amendments to articles 28 (g), 30 (c) and 34 (f), of the Regulations of the Fund, as set out in the annex to the present resolution, to increase the ceilings applicable in the commutation of the minimum benefit;

3. *Also approves*, with effect from 1 April 2003, the addition of a new paragraph to article 21 of the Regulations of the Fund, as set out in the annex to the present resolution, stating that a participant is deemed to have separated when he or she is on leave without pay for an extended period of time without concurrent contributions having been paid to the Fund;

4. *Notes* that the Board considered the possible application by the International Criminal Court to become a member organization of the Fund and that a formal application would be submitted to the Standing Committee in 2003, with possible membership to take effect on 1 January 2004;

5. *Also notes* that the Board considered the detailed report of the medical consultant, covering the period from 1 January 2000 to 31 December 2001;

6. *Takes note* of the other matters dealt with in the report of the Board;

7. *Decides* to revert to the issue of possible improvements in pension benefits at the fifty-ninth session of the General Assembly;

IX
Investments of the United Nations Joint Staff Pension Fund

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund[1] as well as the observations of the United Nations Joint Staff Pension Board, as set out in paragraphs 81 to 83 of its report;[2]

2. *Stresses* the importance of ensuring that the fiduciary responsibility of the Secretary-General, under the Regulations of the Fund, to take decisions on the investments of the assets of the Fund should under no circumstances be compromised;

3. *Notes* the concern expressed by the Board over the reduction in the market value of the Fund's investments and the continuing efforts by the management of the investments to deal with market turbulence;

4. *Takes note* of the intention of the Board of Auditors and the Pension Board:

(a) To follow up on the audit recommendations;

(b) To review the procedures and operating methods of the Investment Management Service;

(c) To review terms of reference for an independent external performance review of the investments of the Fund;

X

Diversification of investments of the United Nations Joint Staff Pension Fund

Recalling its resolutions 36/119 A to C of 10 December 1981,

1. *Recognizes* that the Fund's policy of broad diversification of its investments by currency, types of asset classes and geographical areas continues to be the most reliable method of reducing risk and improving returns over long periods of time;

2. *Reaffirms* paragraph 3 of section VIII of its resolution 55/224;

3. *Reaffirms also* the policy of diversification of the investments of the Fund across geographical areas, wherever this serves the interests of the participants and beneficiaries of the Fund, in accordance with the four criteria of safety, profitability, liquidity and convertibility;

4. *Requests* the Secretary-General to continue to report on this matter to the General Assembly at its fifty-ninth session.

Annex

Amendments to the Regulations of the United Nations Joint Staff Pension Fund

Article 21
Participation

Add the following new paragraph (c):

"(c) Notwithstanding the provisions of (b) above, a participant is deemed to have separated when he or she has completed (i) a consecutive period of three years on leave without pay without concurrent contributions having been paid in accordance with article 25 (b), or (ii) four years under the conditions described in (i) above within a total period of five years. To re-enter the Fund, such former participant would have to satisfy the requirements for participation set out in (a) above."

Article 28
Retirement benefit

In paragraph (g), subparagraph (iii), replace the number "300" with the number "1,000".

Article 30
Deferred retirement benefit

In paragraph (c), replace the number "300" with the number "1,000".

Article 34
Widow's benefit

In paragraph (f), replace the number "200" with the number "600".